

## Appendix B 28 July 04 consultation

### STANDARD CONDITIONS FOR POSTALISATION

#### **INTRODUCTORY NOTES:**

- These postalisation provisions are intended to be inserted as General Conditions in the conveyance licence of operators of designated transmission pipe-lines.
- Provisions for the calculation of the Forecast and Actual Required Revenue will be included as Special Conditions in each licence. These are under discussion.
- These General Conditions are intended to replace existing conditions relating to exit charges/conveyance charges. Existing general third party access obligations (relating in particular to rights of suppliers to have gas conveyed and provision for access disputes to be determined by the Authority) which form part of the conveyance charge conditions will need to be retained, probably in a general third party access condition.
- To permit standardised numbering, it is proposed that the postalisation standard conditions will be included as a new Part 2A in each licence (permitting self-contained numbering and defined terms).
- For the avoidance of doubt, in this Licence a “Gas Supplier” means a supplier entitled to exit gas from the Licensee’s part of the high-pressure network. A “PS Gas Supplier” means a supplier entitled to exit gas from any part of the postalised network. “Exit Point” means an exit point from the Licensee’s part of the network (and does not include a connection point between networks). To “Exit” gas means to offtake gas from an Exit Point. A Gas Supplier “Exiting” gas would be a supplier offtaking gas from the Licensee’s part of the network. The concept of “Transiting” has been introduced to mean the shipping of gas across the Licensee’s part of the postalised network through a connection to another part of the postalised network where Exit of gas (at an Exit Point) is not involved.
- A revenue under-recovery in-year arising as a result of the cap on the Commodity Reconciliation Payments will be recovered via an adjustment to the Licensee’s ARR for the following Gas Year. This will be dealt with in the Special Conditions.

- It is intended that the relevant minimum quantities will be set out in the Special Conditions dealing with Annual Required Revenue in the interests of transparency. As previously disclosed, the monthly minimum quantity for ESBII is 15 million therms.
- The provision relating to set-off has been deleted from the Licence because all issues of set-off are more appropriately covered in the Network Code.
- A defaulting Gas Supplier will be instructed to pay any Recoveries through the PoT Account. This intends to cover any circumstance whereby the Licensee receives Recoveries directly, whatever the reason.
- If a defaulting Gas Supplier is still active on the system, it will be liable to pay Debt Payments, but if it has ceased shipping, it will not be taken into account in the calculation of the Debt Payment, although it will remain liable for any PS Non-Payments for which it was responsible. Unpaid Debt Payments remaining at the end of a Gas Year will not now be settled via an adjustment to required revenue but will roll over to the next year.
- The intention is that any Recovery would be passed through to shippers who incurred Debt Payment, whether or not the shipper was still active at the date of the Recovery.

**PART 2A**

**STANDARD CONDITIONS FOR THE CONVEYANCE LICENCE OF DESIGNATED  
TRANSMISSION PIPELINE OPERATORS**

**Condition 2A.1 – Interpretation and Construction**

**2A.1.1 Definitions**

In Part 2A of this Licence, except where expressly stated to the contrary and unless the context otherwise requires, the following terms shall have the meanings ascribed to them below:

“Actual Figures” means the Annual Exit Quantity and the Actual Firm Capacity figures to be provided by the Licensee to the Authority under Condition 2A.2.3.2(a);

“Actual Firm Capacity” means the aggregate of all Firm Capacity which has been held by the Licensee’s Gas Supplier; in respect of a Gas Year and in respect of the Designated Network multiplied in each case by the aggregate number of days in respect of which such capacity is allocated in such Gas Year in each case, and divided by the number of days in such Gas Year;

“Actual Required Revenue” as the context requires, shall have the meaning ascribed to that term in the Special Conditions of this Licence or the meaning ascribed to it in the relevant licence of each Designated Pipe-line Operator;

“Annual Exit Quantity” means the aggregate of each Gas Supplier’s Exit Quantities in respect of a relevant Gas Year;

“Business Day” means a day, other than a Saturday or Sunday, on which banks are open for ordinary banking business in Belfast;

“Capacity Percentage” shall have the meaning ascribed to that term in Condition 2A.2.5.2(a);

“Capacity Reconciliation Payment” means a charge or a payment, as the context requires, made by the Licensee to each of its Gas Suppliers in respect of the difference between the Forecast Postalised Capacity Charge and the Year-End Postalised Capacity Charge applied to a Gas Year;

“Commodity Percentage” shall have the meaning ascribed to that term in Condition 2A.2.5.1(a);

“Commodity Reconciliation” means a charge or a payment as the context requires, made by the

Payment”	Licensee to each of its Gas Suppliers in respect of the difference between the Forecast Postalised Commodity Charge and the Year-End Postalised Commodity Charge applied to a Gas Year;
“Credit Committee”	means the committee which is convened and operates in accordance with the Terms of Reference;
“Debt Entitlement”	shall have the meaning ascribed to that term in Condition 2A.6.1.2(b);
“Debt Notice”	means a notice issued by the PSA as contemplated by Condition 2A.4.3.1(f);
“Debt Notice Date”	means the date on which the PSA shall issue the Debt Notice each month as contemplated by Condition 2A.4.3.1(f), being the eighth Business Day in the relevant month;
“Debt Payment”	means a charge payable by a PS Gas Supplier in respect of PS Notified Debt as contemplated by Condition 2A.3.4.1 and as detailed in the applicable Debt Notice;
“Debt Repayment”	means a repayment payable to a PS Gas Supplier in respect of a Recovery as contemplated by Condition 2A.3.4.3(ii) and as detailed in the applicable Debt Notice;
“Designated Network”	means such part(s) of the Licensee’s Network as is or are designated from time to time pursuant to the Designation Order;
“Designated Pipe-line Operator”	means a person licensed to convey gas under Article 8(1)(a) of the Order through the Postalised System, including the Licensee;
“Designated Pipe-line Operators Agreement”	shall have the meaning ascribed to that term in Condition 2A.6.2.1;
“Designation Date”	means the date specified in a Designation Order on which any part of the Licensee’s Network shall be designated as postalised;
“Designation Order”	Means an order made pursuant to Article 59 of the Energy (Northern Ireland) Order 2003 designating gas pipe-lines comprised within the Licensee’s Network as being subject to a common tariff;

“Directions”	shall have the meaning ascribed to that term in Condition 2A.3.2;
“Due Date”	Means the date on which payment of an invoice in respect of any PS Transmission Payment falls due, being the thirtieth Business Day after the end of the relevant month and shall be stipulated in the Network Code;
“Exit”, “Exiting”	or forms thereof, refers to the offtaking of gas at an Exit Point;
“Exit Point”	Means a point on the Designated Network at which gas is offtaken from the Designated Network by a Gas Supplier, which is not a Transit Point and which constitutes an Exit Point under the Network Code;
“Exit Quantity”	Means the total quantity of gas, (measured in kWh) allocated to the Licensee’s relevant Gas Supplier in respect of an Exit Point within a certain period, or any applicable Minimum Quantity Value in respect of such period, if higher;
“Firm Capacity”	Means, at any relevant time in respect of a Gas Supplier, capacity (in kWh/day) allocated at such time by the Licensee to such Gas Supplier on a firm basis in respect of an Exit Point in accordance with the provisions of the Network Code and in respect of a Gas Year (or any part thereof); except that if any Minimum Capacity Value in respect of such period and such Gas Supplier is greater than such allocated capacity then the Firm Capacity deemed to be held by such Gas Supplier shall be that Minimum Capacity Value;
“Forecast Annual Quantity”	shall have the meaning ascribed to that term in Condition 2A.2.3.1;
“Forecast Figures”	shall mean such figures as are notified to the Authority under Condition 2A.2.3.1(a) as amended by any notice given by the Authority under Condition 2A.2.3.1(e), or such figures as are determined by the Authority under Condition 2A.2.3.1(g), as appropriate;
“Forecast Postalisation Formulae”	Means the formulae set out in Condition 2A.2.5;
“Forecast Postalised Capacity Charge”	Means a charge in respect of each kWh/day of Initial Firm Capacity held by the Licensee’s Gas Suppliers in respect of an Exit Point in a Gas Year which shall be calculated in accordance with Condition

2A.2.5.2;

“Forecast Postalised Charges”	Means a Forecast Postalised Commodity Charge and a Forecast Postalised Capacity Charge;
“Forecast Postalised Commodity Charge”	Means a charge in respect of each kWh of gas allocated to the Licensee’s Gas Suppliers for Exit from the Designated Network in a Gas Year which shall be calculated in accordance with Condition 2A.2.5.1;
“Forecast Required Revenue”	as the context requires, shall have the meaning ascribed to that term in the Special Conditions of this Licence;
“Forecast Supplier Quantity”	Means the quantity of gas which a Gas Supplier forecasts it will Exit from the Designated Network in a given period, provided that, if in relation to a Gas Supplier such quantity is less than any applicable Minimum Quantity Value, the Forecast Supplier Quantity in relation to such Gas Supplier shall be such Minimum Quantity Value;
“Gas Supplier”	Means any person authorised by licence under Article 8 of the Order or by exemption under Article 7 of the Order to supply gas, (including the Licensee as so authorised or exempted) and who is entitled to Exit gas from the Designated Network or any person who is not so authorised, but is with the Authority’s consent either: (i) allocated Firm Capacity; or (ii) is entitled to Exit gas from the Designated Network as if it were a Gas Supplier, but shall not include the Licensee if and to the extent that it is providing balancing gas in respect of the Network;
“Gas Year”	Means the period of time beginning at 06:00 hours on 01 October in any calendar year and ending at 06:00 hours on 01 October in the next succeeding calendar year;
“GS Annual Exit Quantity”	shall have the meaning ascribed to that term in Condition 2A.2.6.3(b);
“GS Firm Capacity”	shall have the meaning ascribed to that term in Condition 2A.2.6.3(a);

“Initial Firm Capacity”	means the total of all Firm Capacity held by the Licensee’s Gas Suppliers in respect of a Gas Year as at the last Business Day of June preceding such Gas Year except the Gas Year commencing 01 October 2004 where Initial Firm Capacity shall mean the total of all Firm Capacity (in kWh/day) in respect of a Gas Year, such figure to be determined by the Authority no later than 30 September 2004;
“Invoice Date”	means the tenth Business Day in a month;
“kWh”	means 3,600,000 joules as defined in ISO 1000-1981(E)
“LIBOR”	means the sterling London Interbank Offered Rate as published in the Financial Times from time to time;
“Licence”	means the Grant to the Licensee together with all Parts and Schedules thereto;
“MDQ”	means the maximum quantity of gas which may be offtaken from an Exit Point by a Gas Supplier in any day in respect of the Firm Capacity held by that Gas Supplier under the Network Code;
“Minimum Capacity Value”	means any minimum quantum of capacity (in kWh/day) in respect of which a PS Gas Supplier is obliged under contract to the Licensee or to any other Designated Pipe-line Operator to pay transmission charges in respect of a Gas Year;
“Minimum Quantity Value”	means any minimum quantity of gas (in kWh) in respect of which a Gas Supplier is obliged under contract to the Licensee to pay transmission charges in respect of a Gas Year or part thereof;
“Monthly Debt Payment Entitlement”	means the entitlement of a Designated Pipe-line Operator in respect of the Net Debt Position in a month, calculated in accordance with Condition 2A.6.1.2(a)(ii);
“Monthly Distribution”	has the meaning ascribed in Condition 2A.6.1.4,
“Monthly Entitlements”	Means Monthly Postalised Entitlements and Monthly Debt Payment Entitlements;
“Monthly Postalised Capacity Payment”	Means an amount to be invoiced monthly by the Licensee to each of its Gas Suppliers in accordance with Condition 2A.2.5.2(b);



“Monthly Postalised Commodity Payment”	Means an amount to be invoiced monthly by the Licensee to each of its Gas Suppliers in accordance with Condition 2A.2.5.1(b);
“Monthly Postalised Entitlement”	Means the entitlement of a Designated Pipe-line Operator in respect of Monthly Postalised Payments and any Supplemental Payment payable into the PoT Account in a month, calculated in accordance with Condition 2A.6.1.2(a)(i);
“Monthly Postalised Payments”	Means Monthly Postalised Commodity Payments and Monthly Postalised Capacity Payments
“Net Debt Position”	Means a balance calculated in respect of a month with reference to PS Notified Debt and Recoveries in accordance with Condition 2A.3.4.3 and in respect of which a Debt Payment or Debt Repayment may be made;
“Non Payment Month”	Means a month in which a relevant PS Non-Payment occurred;
“Postalised Charges”	Means the Forecast Postalised Charges and/or the Year-End Postalised Charges as the case may be;
“Postalised System” or “PS”	Means the system comprising all gas pipe-lines designated as being subject to a common tariff pursuant to all orders made pursuant to Article 59 of the Energy (Northern Ireland) Order 2003 in force at such time;
“PoT Account”	shall have the meaning ascribed to that term in Condition 2A.5.3.1(a);
“PSA”	shall have the meaning ascribed to that term in Condition 2A.4.1.1;
“PS Actual Required Revenue”	Means, in respect of a Gas Year, the sum of all Actual Required Revenues in respect of such Gas Year;
“PSA Agreement”	Shall have the meaning ascribed to that term in Condition 2A.4.1.1;
“PSA Functions”	Shall have the meaning ascribed to that term in Condition 2A.4.3.1;
“PS Actual Firm Capacity”	Shall have the meaning ascribed to that term in Condition 2A.2.6.2;
“PS Annual Exit Quantity”	Shall have the meaning ascribed to that term in Condition 2A.2.6.1;

“PS Forecast Annual Quantity”	Shall have the meaning ascribed to that term in Condition 2A.2.5.1;
“PS Forecast Required Revenue”	Means in respect of a Gas Year the sum of all Forecast Required Revenues in respect of all Designated Pipe-line Operators as such term is defined in each Respective Licence in respect of such Gas Year;
“PS Gas Supplier”	means any gas supplier who is entitled to exit gas from the Postalised System;
“PS Initial Firm Capacity”	shall have the meaning ascribed to that term in Condition 2A.2.5.2;
“PS Non-Payment”	means:  (i) the failure of a PS Gas Supplier to pay into the PoT Account all or part of the PS Transmission Payments due from it by the Due Date, or the clawback by an administrator or liquidator of the amount of any payment (or part of such payment) made into the PoT Account by a PS Gas Supplier in respect of a PS Transmission Payment; or  (ii) the amount of PS Transmission Payments which the relevant PS Gas Supplier has failed to pay or the amount which is subject to clawback by an administrator or liquidator  as the context requires;
“PS Notified Debt”	Means the aggregate of PS Non-Payments, excluding any VAT element, which are the subject of a notification by a Designated Pipe-line Operator to the PSA as contemplated in Condition 2A.3.4.1 of such Designated Pipe-line Operator’s licence;
“PS Transmission Payments”	Means any amount payable by a PS Gas Supplier in relation to the provision of gas conveyance services on the Postalised System under Conditions 2A.2.2.1 (Monthly Postalised Payments); 2A.2.2.2 (Debt Payments); and 2A.2.2.3 (Reconciliation Payments) and 2A.2.5.1(c) (Supplemental Payments) under each Designated Pipe-Line Operator’s Respective Licence;

“Quantity Figures”	shall have the meaning ascribed to that term in Condition 2A.2.3.1(b);
“Quarter”	Means each successive three calendar month period in a Gas Year, the first of which shall run from and including 06:00 hours 01 October until 06:00 hours 01 January in that Gas Year; and “Quarterly” shall be construed accordingly;
“Quarterly Exit Quantity”	Means the aggregate of each Exit Quantity in a Quarter;
“Reconciliation Payment”	Means the Capacity Reconciliation Payment and the Commodity Reconciliation Payment;
“Reconciliation Payment Formulae”	Means the formulae contained in Condition 2A.2.6.3 in accordance with which Reconciliation Payments shall be calculated;
“Recovery”	Means any amount (other than a Debt Payment) paid by or on behalf of a PS Gas Supplier into the PoT Account or to a Designated Pipe-line Operator in full or partial satisfaction of any PS Notified Debt attributable to that PS Gas Supplier;
“Relevant Charge Date”	shall have the meaning ascribed to that term in Condition 2A.2.5.4;
“Respective Licence”	Means in respect of each of the Designated Pipe-line Operators the licence for the conveyance of gas granted to it pursuant to Article 8(1) of the Order or that part of a combined licence relating to the conveyance of gas;
“Second Due Date”	Means, in respect of a PS Non-Payment which occurred in a Non-Payment Month, the fifteenth Business Day after the respective Due Date as stipulated in the Network Code;
“Supplemental Payment”	shall have the meaning ascribed to that term in Condition 2A.2.5.1(c);
“Termination Payments”	Amount payable on termination of supplier as under the terms of the network code
“Terms of Reference”	means the terms of that name appended to the Network Code which govern the operation of the Credit Committee;

“Transit”, “Transiting”	or forms thereof, refers to the conveyance of gas through the Designated Network to another part of the Postalised System;
“Transit Point”	means a point of interconnection between the Designated Network and another pipe-line forming part of the Postalised System;
“Trust and Account Bank Agreement”	means the agreement in the form approved by the Authority and made between the Designated Pipe-line Operators, the Trustee and account bank which governs the operation of the PoT Account;
“Trustee”	shall have the meaning ascribed to that term in Condition 2A.5.1.1;
“Trustee Functions”	shall have the meaning ascribed to that term in Condition 2A.5.3.1;
“Undesignated Network”	means such part(s) of the Network as is or are not from time to time comprised in the Designated Network;
“Un-recovered Postalisation Payments”	shall have the meaning ascribed to that term in Condition 2A.4.3.1(l)
“VAT Distributions”	means distributions made by the Trustee on the instructions of the PSA from the PoT Account to permit each Designated Pipe-line Operator to meet its liability in respect of VAT applicable to the PS Transmission Payments invoiced by such Designated Pipe-line Operator each month;
“Year-End Amount”	shall have the meaning ascribed to that term in Condition 2A.6.1.3;
“Year-End Postalisation Formulae”	means the formulae set out in Condition 2A.2.6;
“Year-End Postalised Capacity Charge”	means a charge applicable to each kWh/day of Firm Capacity held by each Gas Supplier for Exit from any part of the Designated Network in respect of a Gas Year in accordance with Condition 2A.2.6.2;
“Year-End Postalised Charge”	means the Year-End Postalised Capacity Charge and the Year-End Postalised Commodity Charge; and
“Year-End Postalised Commodity Charge”	means a charge applicable to each kWh of gas allocated to each Gas Supplier in respect of an Exit Point during a Gas Year in accordance with Condition 2A.2.6.1.

**2A.1.2 Interpretation**

(In Part 2A all capitalised terms shall have the meaning ascribed to them in such part, notwithstanding any other definition of any such term elsewhere in the Licence. Capitalised terms within Part 2A which are not defined within such part shall have the meaning ascribed to them elsewhere in the Licence.

**2A.1.3 Provision of Information**

Nothing in Part 2A shall require the Licensee to produce any information or provide any document to any other party which the Licensee could not be compelled to produce or provide in any civil proceedings.

**Condition 2A.2 – Postalisation Charges**

**2A.2.1 Charges on the Designated Network**

2A.2.1.1 In respect of the Gas Year commencing on or after the Designation Date and each Gas Year or part of a Gas Year thereafter for so long as and to the extent that a Designation Order is and remains in force in respect of all or part of the Network, the Licensee shall be subject to the provisions of this Part 2A.

2A.2.1.2 The Licensee shall require all of its Gas Suppliers to make all payments in settlement of PS Transmission Payments and all Recoveries into the PoT Account. For the avoidance of doubt, PS Transmission Payments shall include any relevant Termination Payments received for that gas year.

2A.2.1.3 The Licensee shall pay all sums which it receives directly from any of its Gas Suppliers in respect of PS Transmission Payments and Debt Payments into the PoT Account.

2A.2.1.4 If the Licensee is also licensed as a Gas Supplier and/or a gas distributor (the part of its business operating under each such licence being a “Gas Business”) the Licensee shall for all purposes under this Part 2A treat and deal with each such Gas Business as an independent legal entity, including but not limited to providing forecasts relating to each such Gas Business, issuing invoices to each such Gas Business and maintaining appropriate records of all dealings with each such Gas Business.

**2A.2.2 Charging methodology for the conveyance of gas**

2A.2.2.1 Subject to Condition 2A.2.2.5, the Licensee shall charge each of its Gas Suppliers in respect of the Exit of gas from, and holding of capacity on, the Designated Network the Monthly Postalised Payments in respect of each month or part thereof in a Gas Year in accordance with the terms of this Licence and the applicable provisions of the Network Code.

2A.2.2.2 The Licensee shall charge each of its Gas Suppliers any Debt Payment payable by them in accordance with any Debt Notice; and shall reduce any relevant invoice in respect of Monthly Postalised Payments by the amount of any Debt Repayment in accordance with any Debt Notice in each case in accordance with the terms of this Licence and the applicable provisions of the Network Code.

2A.2.2.3 On or before the 10<sup>th</sup> Business Day in December following the end of each Gas Year in respect of which the Licensee has charged Monthly Postalised Payments to a Gas Supplier pursuant to Condition 2A.2.2.1 the Licensee shall, subject to Condition 2A.2.2.5 charge to such Gas Supplier any applicable Supplemental Payment arising under Condition 2A.2.5.1(c) and charge or repay (as appropriate) to such Gas Supplier a Commodity Reconciliation Payment and a Capacity Reconciliation Payment applicable in respect of that Gas Year calculated in accordance with the Reconciliation Payment Formulae in Condition 2A.2.6.3.

2A.2.2.4 Unless the Authority otherwise expressly consents in writing the Licensee shall apply no charge on the Postalised System other than the PS Transmission Payments or as otherwise permitted under the Licence or the Network Code.

2A.2.2.5 The Licensee shall acknowledge that each PS Gas Supplier's obligation to pay PS Transmission Payments shall be consideration for the allocation by the Licensee to such PS Gas Supplier of both Firm Capacity at a Transit Point on the Designated Network and a quantity of gas for exit at a Transit Point for the purpose of the Transit of such gas.

### **2A.2.3 Duty to provide forecasts and information relating to the calculation of the Postalised Charges**

#### **2A.2.3.1 Forecasts and information relating to following Gas Years**

(a) For the purpose of Condition 2A.2.5, the Licensee shall use its reasonable endeavours, in each Gas Year, to provide the following forecasts and information in respect of the next Gas Year ("GY") and each of the following four Gas Years inclusive ("GY+1" to "GY+4" respectively) (the "Forecast Figures") to the Authority no later than the last Business Day in June:

(i) the total of all Forecast Supplier Quantities in a Gas Year (the "Forecast Annual Quantity") together with:

(aa) an explanation of the reasons why any Forecast Annual Quantity in respect of any of the Gas Years GY+1 to GY+4 are expected to be greater or less than the Forecast Annual Quantity in respect of GY;

(bb) a breakdown of the Forecast Annual Quantities in respect of each Exit Point in each relevant Gas Year; and

- (cc) a breakdown showing the proportions of the Forecast Annual Quantity and aggregated Forecast Supplier Quantities attributable to each Quarter of GY;
  - (ii) the assumptions on which the figures provided pursuant to Condition 2A.2.3.1(a)(i) were based:
    - (aa) which for power stations shall include but not be limited to load factors, generation output and efficiency;
    - (bb) which for Gas Suppliers to distribution networks shall include but not be limited to numbers of consumers and average forecast quantity per consumer;

and in either case shall include an explanation of any material difference between such forecasts for the year GY and the forecast in respect of the then current Gas Year; and
  - (iii) the Initial Firm Capacity in respect of GY and a forecast of Initial Firm Capacity in respect of GY+1 to GY+4 inclusive, together, if applicable, with an explanation of the reasons why any forecast is higher or lower than the Initial Firm Capacity figure for GY.
- (b) The Licensee shall use its reasonable endeavours to ensure that all Forecast Figures supplied to the Authority in accordance with Condition 2A.2.3.1(a) are as accurate as possible having regard to the information and forecasts available to the Licensee including that provided by its Gas Suppliers and shall provide to the Authority, with the figures provided under Condition 2A.2.3.1(a)(i) (the “Quantity Figures”), a full explanation as to how they have been calculated. In the event that any such Gas Supplier has failed to provide such information prior to the date specified by 2A.2.3.1(a), the Licensee shall ensure that the Quantity Figures are as accurate as possible having regard to the information and forecasts available to the Licensee and shall inform the Authority which Gas Suppliers have failed to provide the required information.
- (c) The Licensee shall promptly provide to the Authority such further information or explanation and access to relevant documents and records, in each case as the Authority reasonably requires, in relation to the Quantity Figures.



- (d) The Licensee may fulfil its obligations under this Condition 2A.2.3.1 by providing the relevant information in a joint report with one or more other Designated Pipe-line Operators which shall comply with this Condition 2A.2.3.1 in respect of the Licensee and each such Designated Pipe-line Operator.
- (e) If, in the Authority's reasonable opinion, having regard to information and explanations provided by the Licensee and representations made on or before the twelfth Business Day in July by parties which the Authority reasonably considers to have sufficient interest in making such representations (such parties to include the Licensee):
- a Forecast Annual Quantity figure does not represent an accurate estimate taking into proper account all relevant information; and/or
  - the assumptions provided in accordance with Condition 2A.2.3.1(a)(ii) are inappropriate;

the Authority may by notice to the Licensee given on or before the thirteenth Business Day in July of the relevant Gas Year modify the Forecast Annual Quantity, such notice to contain an explanation of the reasons for such modification. The modified figure set out in any such notice shall be substituted for and for all purposes treated as the Forecast Annual Quantity submitted by the Licensee.

- (f) The Licensee shall, not later than the fifteenth Business Day in July submit the Forecast Figures (adjusted to reflect any modification made by the Authority pursuant to Condition 2A.2.3.1(e)) to the PSA for calculation of the Forecast Postalised Charges in accordance with the PSA Agreement.
- (g) If the Licensee fails to provide the Forecast Figures in accordance with, and/or by the date specified in, Condition 2A.2.3.1(a) the Authority shall be entitled on or after the thirteenth Business Day in July by written notice to the Licensee and the PSA to determine the Forecast Figures. Forecast Figures so determined may at the Authority's discretion either:
- (i) reflect the Actual Figures in respect of the previous Gas Year; or
  - (ii) be such other figures as the Authority reasonably deems appropriate.

**2A.2.3.2 Information relating to previous Gas Year**

- (a) In each Gas Year commencing on or after 1<sup>st</sup> October 2005, for the purpose of Condition 2A.2.6, the Licensee shall submit to the Authority and to the PSA, in each case no later than the tenth Business Day in November, the following information (the "Actual Figures") for the immediately preceding Gas Year:
- (i) the Annual Exit Quantity in that Gas Year, together with a breakdown of that figure by Exit Point; and
  - (ii) the Actual Firm Capacity.

and with the Actual Figures, the Licensee shall provide the Authority and each of the other Designated Pipe-Line Operators with any further information required under the Special Conditions of this Licence.

- (b) The Licensee shall provide to the Authority such further information or explanation and access to relevant documents and records, in each case as the Authority reasonably requires in connection with its consideration of any differences between the Forecast Figures and the corresponding Actual Figures for the relevant Gas Year.
- (c) If the Licensee fails to provide the Actual Figures in accordance with, and/or by the date specified in, Condition 2A.2.3.2(a) the Authority shall be entitled to determine the Actual Figures as it reasonably deems appropriate and shall inform the Licensee and the PSA by notice of the Actual Figures so determined.

**2A.2.3.3 Provision of quarterly information**

- (a) In respect of each Gas Year commencing on or after the Designation Date, the Licensee shall provide:
- (i) the Authority; and
  - (ii) all of the other Designated Pipe-line Operators;

with a breakdown of the Quarterly Exit Quantities by Exit Point for the relevant Quarter and any other information required to be provided by the Licensee on a Quarterly basis under this Licence, no later than 10 Business Days after the end of each Quarter in a Gas Year.

- (b) At the same time as the Licensee provides the figures required under Condition 2A.2.3.3(a), the Licensee shall confirm to the Authority, the other Designated Pipe-line Operators and each of its Gas Suppliers whether it is aware of or has reason to believe that the Forecast Figures provided in accordance with Condition 2A.2.3.1(a) for the remainder of the current or any future Gas Years will or may be materially inaccurate. If the Licensee suspects such material inaccuracy, it shall provide details of the extent of such inaccuracy, and its reasons for such belief.

***[Note to Licensee: This obligation will also go in the Network Code for the benefit of Shippers.]***

- (c) The Licensee may fulfil its obligations under this Condition 2A.2.3.3, by submitting, together with one or more other Designated Pipe-line Operators, a joint report which shall comply with this Condition 2A.2.3.3.
- (d) The Licensee shall provide to each Gas Supplier details of the aggregate sum of all Quarterly Exit Quantities (whether in the form of a joint report or otherwise) in respect of each exit point on the Postalised System.

***[Note to Licensee: The obligation to send a report to its suppliers will also go in the Network Code for the benefit of suppliers.]***

#### **2A.2.4 Duty to co-operate with the PSA and other Designated Pipe-line Operators**

The Licensee shall co-operate with the PSA and other Designated Pipe-line Operators with a view to facilitating the PSA in complying with its obligations under the PSA Agreement and to facilitating the other Designated Pipe-line Operators in complying with their obligations under Condition 2A.2 and 2A.4 of their Respective Licences.

#### **2A.2.5 Forecast Postalised Charges**

Subject to Condition 2A.2.8, the Forecast Postalised Charges shall be calculated by the PSA and shall comprise a Forecast Postalised Commodity Charge calculated in accordance with Condition 2A.2.5.1 and a Forecast Postalised Capacity Charge calculated in accordance with Condition 2A.2.5.2.

##### **2A.2.5.1 Forecast Postalised Commodity Charge**

- (a) Subject to Conditions 2A.2.5.3, 2A.2.5.4 and 2A.2.8, the Forecast Postalised Commodity Charge to be charged in respect of Gas Year (“t”) to

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each Gas Supplier in respect of each kWh of gas allocated to each such Gas Supplier under the Network Code in respect of each Exit Point during that Gas Year shall be calculated in accordance with the following formula:

$$\text{FPComC} = \frac{\text{PS Forecast Required Revenue} * \text{Commodity Percentage}}{\text{PS Forecast Annual Quantity}}$$

Where:

“FPComC” means the Forecast Postalised Commodity Charge; and

“Commodity Percentage” means:

- (i) 50% in respect of Gas Years ending on or before 06:00 hours on 01 October 2008; and
- (ii) 25% in respect of Gas Years ending after 06:00 hours on 01 October 2008.

Notwithstanding the above, where the PS Forecast Annual Quantity is zero, the Commodity Percentage shall be 0%.

“PS Forecast Annual Quantity” means:

the sum of the Forecast Annual Quantities (as that term is defined in each Designated Pipe-line Operator’s Respective Licence) in respect of all PS Gas Suppliers for the relevant Gas Year.

- (b) A Monthly Postalised Commodity Payment shall be calculated in accordance with the following formula in respect of gas allocated to each Gas Supplier for Exit in respect of the previous month, the components of which shall be in respect of month (“m”) in Gas Year (“t”) and shall be payable by Gas Supplier (“s”):

$$\text{MPComP}_s = \text{FPComC} \quad \times \quad \text{MEQ}_s$$

Where

MPComP<sub>s</sub> means the Monthly Postalised Commodity Payment payable by Gas Supplier (“s”) in respect of month (“m”) of the Gas Year (“t”);

FPComC means the Forecast Postalised Commodity Charge applicable in respect of Gas Year (“t”) in accordance with 2A.2.5.1(a); and

MEQ<sub>s</sub> means the Exit Quantity allocated to Gas Supplier (“s”) in respect of an Exit Point and in respect of month “m”,.

- (c) If the aggregate of the Monthly Postalised Commodity Payments invoiced to a Gas Supplier (“s”) in respect of a Gas Year (“t”) ( $\Sigma\text{MPComP}_{st}$ ) is less than the product of FPComC x (Minimum Quantity Value in respect of Gas Year (“t”) for Gas Supplier (“s”)) the Licensee shall invoice to Gas Supplier (“s”) in accordance with the provisions of this Licence, a supplemental payment (a “Supplemental Payment”) calculated by the PSA as follows:

$$(\text{FPComC} \times \text{Minimum Quantity Value}_{st}) - \Sigma\text{MPComP}_{st}$$

**2A.2.5.2 Forecast Postalised Capacity Charge**

- (a) Subject to Conditions 2A2.5.3, 2A.2.5.4 and 2A.2.8, the Forecast Postalised Capacity Charge to be charged to each Gas Supplier in respect of each kWh/day of Firm Capacity in respect of a Gas Year shall be calculated in accordance with the following formula:

$$\text{FPCapC} = \frac{\text{PS Forecast Required Revenue} * \text{Capacity Percentage}}{\text{PS Initial Firm Capacity}}$$

Where:

“FPCapC” means the Forecast Postalised Capacity Charge; and

“Capacity Percentage” means:

- (i) 50% in respect of Gas Years ending on or before 06:00 hours on 01 October 2008; and
- (ii) 75% in respect of Gas Years ending after 06:00 hours on 01 October 2008.

Notwithstanding the above, where the PS Forecast Annual Quantity is zero, the Capacity Percentage shall be 100%.

“PS Initial Firm Capacity” means:

the sum of the Initial Firm Capacity (as that term is defined in each Designated Pipe-line Operator’s Respective Licence) held by PS Gas Suppliers for the relevant Gas Year.

- (b) A Monthly Postalised Capacity Payment shall be calculated in accordance with the following formula in respect of the Firm Capacity held by each Gas Supplier, the components of which shall be in respect of month “m” in Gas Year (“t”):

$$\text{MPCapP}_s = \frac{\text{FPCapC}}{12} \times \text{FC}_s$$

Where

$\text{MPCapP}_s$  means the Monthly Postalised Capacity Payment payable by Gas Supplier (“s”) in respect of month “m” of Gas Year (“t”);

$\text{FPCapC}$  means the Forecast Postalised Capacity Charge applicable in respect of Gas Year (“t”) in accordance with 2A.2.5.2(a); and

$\text{FC}_s$  means the Firm Capacity held by Gas Supplier (“s”) in respect of Gas Year (“t”).

### 2A.2.5.3 **Emergency Events**

If at any point in the period from the date of provision of the Forecast Figures for the next Gas Year referred to in Condition 2A.2.3.1 to the start of the next Gas Year an unforeseen event occurs which the Authority believes is likely materially to affect the Forecast Figures for that next Gas Year the Authority may at its discretion by notice to the Licensee and the PSA adjust the Forecast Figures in respect of such next Gas Year to reflect the effect of such event. The Forecast Postalised Charges for such next Gas Year shall be calculated by the PSA in accordance with such adjusted figures.

### 2A.2.5.4 **Amendment to Forecast Postalised Charges**

If at any date during any Gas Year (“Relevant Charge Date”) any Designated Pipeline Operator ceases to be a Designated Pipe-line Operator or any person becomes a Designated Pipe-line Operator:

- (a) the Forecast Postalised Charges shall be recalculated with effect from the Relevant Charge Date; and
- (b) the Year-End Postalised Charges shall be calculated in respect of the period up to the Relevant Charge Date and the period following the Relevant Charge Date

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in each case as determined by the Authority so that an appropriate proportion only of the Forecast Required Revenue of the relevant Designated Pipe-line Operator (as defined in that Designated Pipe-line Operator's Respective Licence) shall be taken into account before and after the Relevant Charge Date and such adjustments as the Authority considers appropriate shall be made to the PS Forecast Annual Quantity, PS Annual Exit Quantity, PS Initial Firm Capacity, PS Forecast Required Revenue, and PS Actual Firm Capacity, and notified to the Designated Pipe-Line Operators and the PSA.

## **2A.2.6 Year-End Postalised Charges**

The Year-End Postalised Charges shall comprise a Year-End Postalised Commodity Charge calculated in accordance with Condition 2A.2.6.1 and a Year-End Postalised Capacity Charge calculated in accordance with Condition 2A.2.6.2 in each case calculated by the PSA.

### **2A.2.6.1 Year-End Postalised Commodity Charge**

The Year-End Postalised Commodity Charge in respect of each kWh of gas allocated to each Gas Supplier under the Network Code in respect of each Exit Point on each day during a Gas Year ("t") shall be calculated as determined in accordance with the following formula, the components of which shall be in relation to Gas Year ("t"):

$$\text{YEPComC}_t = \frac{\text{PS Actual Required Revenue} * \text{Commodity Percentage}}{\text{PS Annual Exit Quantity}}$$

Where:

"YEPComC<sub>t</sub>" means the Year-End Postalised Commodity Charge for Gas Year ("t");

"PS Actual Required Revenue" means:

the sum of the Actual Required Revenue (as that term is defined in each Designated Pipe-line Operator's Respective Licence) figures applicable in respect of each Designated Pipe-line Operator as provided in each such Designated Pipe-line Operator's Respective Licence; and

"PS Annual Exit Quantity" means:

the sum of the Annual Exit Quantities (as that term is defined in each Designated Pipe-line Operator’s Respective Licence) applicable in respect of each Designated Pipe-line Operator.

Notwithstanding the provisions of Condition 2A.2.5.1, where the PS Annual Exit Quantity is zero, the Commodity Percentage shall be 0%.

**2A.2.6.2 Year-End Postalised Capacity Charge**

The Year-End Postalised Capacity Charge in respect of each kWh/day of Firm Capacity held by each Gas Supplier for Exit from any part of the Designated Network during a Gas Year (“t”) shall be determined in accordance with the following formula:

$$YEPCapC_t = \frac{PS \text{ Actual Required Revenue} * \text{Capacity Percentage}}{PS \text{ Actual Firm Capacity}}$$

Where:

“YEPCapC<sub>t</sub>” means the Year-End Postalised Capacity Charge for Gas Year (“t”);

“PS Actual Firm Capacity” means:

the sum of the Actual Firm Capacity (as that term is defined in each Designated Pipe-line Operator’s Respective Licence) held in a Gas Year by each PS Gas Supplier.

Notwithstanding the provisions of Condition 2A.2.5.2, where the PS Annual Exit Quantity is zero, the Capacity Percentage shall be 100%.

**2A.2.6.3 Reconciliation Payments**

- (a) A Capacity Reconciliation Payment shall be calculated in respect of each Gas Supplier in accordance with the following formula (which, together with the formula contained in Condition 2A.2.6.3(b) below, shall be referred to as the “Reconciliation Payment Formulae”) and shall be payable by Gas Supplier (“s”) if a positive value, and payable to Gas Supplier (“s”) if a negative value:

$$CapRP_t = (YEPCapC_t - FPCapC_t) \times GS \text{ Firm Capacity}_t$$

Where:



“CapRP<sub>t</sub>” means the Capacity Reconciliation Payment payable by or to Gas Supplier (“s”) in respect of Gas Year (“t”);

“YEPCapC<sub>t</sub>” means the Year-End Postalised Capacity Charge applied in respect of Gas Year (“t”);

“FPCapC<sub>t</sub>” means the Forecast Postalised Capacity Charge applied in respect of Gas Year (“t”); and

“GS Firm Capacity<sub>t</sub>” means the total Firm Capacity held by Gas Supplier (“s”) in respect of Gas Year (“t”), multiplied by the aggregate number of days in respect of which such capacity is allocated in such Gas Year and divided by the number of days in such Gas Year, or any Minimum Capacity Value in respect of such Gas Year if higher.

- (b) A Commodity Reconciliation Payment shall be calculated in respect of each Gas Supplier in accordance with the following formula and shall be due from Gas Supplier (“s”) if a positive value, and shall be due to Gas Supplier (“s”) if a negative value:

ComRP<sub>t</sub> = E or, in the event that E is a positive value, the lesser of E and 15% of the sum of  $\sum$ MPCoM<sub>st</sub> plus any supplemental payments invoiced to that gas supplier in the relevant gas year

Where:

“ComRP<sub>t</sub>” means the Commodity Reconciliation Payment payable by or to Gas Supplier (“s”) in respect of Gas Year (“t”);

$$E = (\text{YEPCoM}_{C_t} - \text{FPCoM}_{C_t}) \times \text{GS Annual Exit Quantity}_t ;$$

“YEPCoM<sub>t</sub>” means the Year-End Postalised Commodity Charge applied in respect of Gas Year (“t”);

“FPCoM<sub>t</sub>” means the Forecast Postalised Commodity Charge applied in respect of Gas Year (“t”);

“GS Annual Exit Quantity<sub>t</sub>” means the Exit Quantities of Gas Supplier (“s”) in respect of Gas Year (“t”);,; and

“ $\sum$ MPCoM<sub>st</sub>” means the aggregate of the Monthly Postalised Commodity Payments invoiced to a Gas Supplier (“s”) in respect of a Gas Year (“t”)

Subject to any contrary requirements in this Condition 2A, the Licensee shall publish in such form and manner as the Authority may direct:

- (a) no later than 3 Business Days after notification to it by the PSA of the Forecast Postalised Charges in respect of the next Gas Year and each of the following four Gas Years, a statement of such charges; and
- (b) no later than 3 Business Days after notification to it by the PSA of the Year-End Postalised Charges in respect of a Gas Year, a statement of the Year-End Postalised Charges.

**2A.2.8 Forecast Postalised Charges for Gas Year commencing 01 October 2004**

The Forecast Postalised Charges to be charged by the Licensee in respect of the Gas Year commencing 01 October 2004 shall be such charges as shall be calculated by the Authority by application of the Forecast Postalisation Formulae using such estimates and relevant information as may have been provided to the Authority or as the Authority otherwise deems appropriate, and notified to the Designated Pipe-Line Operators and the PSA.

**Condition 2A.3 –Recovery of PS Non-Payments**

**2A.3.1 Invoicing of PS Transmission Payments**

The Licensee shall issue all invoices, including appropriate VAT invoices to Gas Suppliers in respect of PS Transmission Payments promptly, accurately, and in accordance with the Network Code and the provisions of this Licence.

***[Note: Each Network Code to have provisions in similar form which prescribe the invoicing dates for all types of PS Transmission Payments and due dates for payment]***

**2A.3.2 PS Non-Payment and Recovery**

In the event of a PS Non-Payment by a Gas Supplier, the Licensee shall:

- (a) take all reasonable steps which a prudent network operator acting efficiently and in accordance with best industry practice would take to recover the amount of the PS Non-Payment,
- (b) in accordance with the Terms of Reference:
  - (i) convene a first meeting of the Credit Committee within 10 Business Days of such PS Non-Payment and such further meetings as may be necessary or appropriate;
  - (ii) attend and participate in any meetings of the Credit Committee convened in connection with the PS Non-Payment; and
  - (iii) comply with any directions issued by the Credit Committee at any time in respect of any PS Non-Payment (“Directions”);
- (c) prior to the first meeting of the Credit Committee referred to in Condition 2A.3.2(b)(i) provide to all parties entitled to attend that meeting the following information (or as much of it as the Licensee is able to provide):
  - (i) full details of the PS Non-Payment(s) including the amount of each PS Non-Payment and the identity of the debtor;
  - (ii) full details of the security provided by the debtor in respect of PS Transmission Payments under the Network Code and, where applicable any steps taken or being taken to enforce it;

- (iii) if desired, a draft of any Directions it believes appropriate for the Credit Committee to consider in respect of the PS Non-Payment(s);
- (iv) all relevant information relating to any proceedings for the liquidation or winding up of the debtor, the making of an administration order or arrangement with any class of creditors, the appointment of an administrator or administrative receiver or receiver or any equivalent insolvency event;
- (v) full details of the steps taken by the Licensee to recover the outstanding amounts with evidence supporting such details; and
- (vi) a full explanation of the reasons why the Licensee has failed to recover the PS Non-Payment(s) at the relevant date;

provided that all such information shall be updated and resubmitted to the relevant parties by the Licensee prior to any further meetings of the Credit Committee which are convened after the first such meeting under Condition 2A.3.2(b)(i), in the event that such information becomes inaccurate with the passage of time; and

- (d) notify the Designated Pipe-line Operators, the PSA and the Authority promptly of any Recoveries received by it and transfer any such Recoveries into the PoT Account within 2 Business Days of such receipt.

### **2A.3.3 Non Payments by other Designated Pipe-line Operators' Shippers**

The Licensee may itself, or in common with other Designated Pipe-line Operators, convene a meeting of the Credit Committee in relation to any PS Non-Payments caused by a PS Gas Supplier failing to pay PS Transmission Payments invoiced by another Designated Pipe-Line Operator in the event that it believes that the Designated Pipe-line Operator from whose network the defaulting PS Gas Supplier exits gas has failed to convene the Credit Committee within the appropriate period following a PS Non-Payment, or is not fulfilling any Directions.

### **2A.3.4 Debt Payments**

- 2A.3.4.1 The Licensee shall, not later than 5 Business Days before the Invoice Date occurring in the month following a Non-Payment Month, notify the PSA, all Designated Pipe-line Operators, all PS Gas Suppliers, the Authority and the Trustee of the amount of any PS Non-Payment(s) caused by or relating to its Gas

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Suppliers arising in that Non-Payment Month which are still outstanding on such date.

2A.3.4.2 The Licensee shall invoice to all Gas Suppliers any Debt Payment or account to all Gas Suppliers in respect of any Debt Repayment, in each case in accordance with the Network Code and as detailed in any Debt Notice in order to give effect to Condition 2A.3.4.3 and shall provide to each Gas Supplier sufficient supporting information to enable it to verify the calculation of Debt Payment or Debt Repayment due from or to it.

2A.3.4.3 Each month (“m”), the Net Debt Position (“NDP”) as at the Debt Notice Date will be calculated by the PSA as follows:

$$NDP_m = (A - B - C) + Z$$

Where:

A= as at the Debt Notice Date the current PS Notified Debt;

B = as at the Debt Notice Date, the sum of any Debt Payments invoiced to PS Gas Suppliers in relation to any PS Non-Payments which have become PS Notified Debt;

C = as at the Debt Notice Date, the total value of all Recoveries received, together with any interest paid on such Recoveries;

Z = the sum of all interest charges accrued in relation to NDP in previous months calculated in respect of each month (“m”) as:

$$I_m = NDP_m \times r$$

r = the interest rate from time to time calculated at the monthly equivalent rate of 0.75 plus the one month LIBOR rate, published five Business Days before the relevant Invoice Date.

(i) Where NDP is positive, a Debt Payment shall be invoiced to each Gas Supplier in respect of such positive figure. Such Debt Payment shall, in reference to Gas Supplier (“s”) be calculated by the PSA in accordance with the following method:

the Debt Payment payable by Gas Supplier (“s”) in any month shall be equal to the lower of X and Y:

Where:

X = the sum of 10% of the total amount payable by Gas Supplier (“s”) in respect of the Monthly Postalised Payments invoiced in the the month preceding the month in which the Debt Payment is invoiced (such earlier month being “m-1”) and the total amount payable to Gas Supplier(s) in respect of Reconciliation Payments in the month in which the Debt Payment is invoiced.

$$Y = \frac{(NDP_m + I_m) \times (MPP_{sm-1})}{PSMPP_{m-1}}$$

Where:

$MPP_{sm-1}$  = Monthly Postalised Payments plus any supplemental payments payable by Gas Supplier (“s”) invoiced in the month, preceding the month when the debt payment is invoiced m -1”;

$I_m$  =  $NDP_m \times r$ ; and

$PSMPP_{m-1}$  = the aggregate of Monthly Postalised Payments and supplemental payments payable by all PS Gas Suppliers invoiced in respect of monthpreceding the month when the debt payment is invoiced “m -1”;

- (ii) Where NDP is negative in respect of a month (month “m”), an amount (a “Debt Repayment”) shall be payable by the Licensee to each relevant Gas Supplier (or former Gas supplier, as the case may be) in respect of any Recovery. In reference to a Gas Supplier (“s”) a Debt Repayment shall be calculated by the PSA in accordance with the following formula (the “Debt Repayment Formula”):

$$\text{Debt Repayment to Gas Supplier (“s”)} = -NDP \times \frac{ADP_s}{APSDP}$$

Where:

“ADP<sub>s</sub>” means the aggregate Debt Payments payable by Gas Supplier (“s”) over the Debt Payment Period;

“Debt Payment Period” means the last month preceding month “m” in which a Debt Payment was payable by PS Gas Suppliers, or, if a Debt Payment has been payable by PS Gas Suppliers in respect of two or more consecutive months preceding month “m”, the period of all such consecutive months preceding month “m”.

APSDP means the aggregate of Debt Payments payable by PS Gas Supplier(s) during the Debt Payment Period.

**Condition 2A.4 – The Postalisation System Administrator**

**2A.4.1 The PSA’s primary obligations**

2A.4.1.1 Subject to Condition 2A.4.1.2, unless the Authority otherwise directs or consents, the Licensee shall do all things within its power to:

(a) enter into, before such date as is appointed by the Authority; and

(b) be party at all times thereafter to

arrangements whereby a person who fulfils the criteria set out in Condition 2A.4.2 (referred to as the “Postalisation System Administrator” or “PSA”) carries out the activities specified in Condition 2A.4.3 pursuant to an agreement between the PSA and the Designated Pipe-line Operators which fulfils the criteria referred to in Conditions 2A.4.3 and 2A.4.4 and has been and remains approved by the Authority (referred to as the “PSA Agreement”).

2A.4.1.2 The Licensee shall only be entitled to terminate the PSA Agreement without the Authority’s prior written consent if the PSA is or becomes insolvent; if the PSA, in the reasonable opinion of the Licensee, commits a material breach of the terms or warranties of the PSA Agreement; or if any approval given by the Authority under Condition 2A.4.2.2 expires or is revoked. Upon such termination the Licensee shall use its best endeavours promptly to appoint a new PSA in accordance with this Condition 2A.4.

2A.4.1.3 Where written consent of the Authority is required to terminate the PSA Agreement and such consent is sought by the Licensee, such consent shall be deemed as having been given at such time when the Authority has not sent written notice to the Licensee of its objection to such termination and the grounds for such objection within 4 weeks of its receipt of full written details of the proposed termination, together with any further relevant information requested by the Authority.

2A.4.1.4 Unless the Authority otherwise consents, if the Licensee fails to enter into the arrangements referred to in Condition 2A.4.1.1 above by the date required by that Condition the Licensee shall use its best endeavours to enter into such arrangements as soon as possible thereafter.



## **2A.4.2 Criteria for appointment of the PSA**

2A.4.2.1 The person fulfilling the functions of PSA from time to time pursuant to this Condition 4 shall:

- (a) be a competent, fit and proper person to fulfil the PSA Functions having the systems and controls in place to fulfil those functions; and
- (b) have sufficient suitably qualified and skilled personnel to enable it to perform the PSA Functions.

2A.4.2.2 The criteria specified in Condition 2A.4.2.1 shall be treated as satisfied in respect of any appointment if the Licensee appoints as the PSA a person who at the time of appointment is a person approved by the Authority for the purposes of this Condition and if that approval has not expired or been revoked.

## **2A.4.3 The PSA's functions**

2A.4.3.1 The PSA Agreement shall, in accordance with Condition 2A.4.1.1, impose on the PSA the following functions (referred to as the "PSA Functions"):

- (a) the receipt from each of the Designated Pipe-line Operators of the information to be submitted to the PSA pursuant to Condition 2A.2.3 of each Designated Pipe-line Operator's Respective Licence;
- (b) the calculation of the relevant Forecast Postalised Charges for the next Gas Year and the following four Gas Years through application of the Forecast Postalisation Formulae and notification thereof to all Designated Pipe-line Operators in each case within 5 Business Days of receipt of the information specified in (a) above and in any event at least two Business Days before the first Business Day in August;
- (c) verification of payments into the PoT Account (to include keeping a record of all Debt Payments paid by each PS Gas Supplier in relation to particular PS Non-Payments) and prompt notification to Designated Pipe-line Operators of any PS Non-Payment and of any Recovery paid into the PoT Account;

the calculation of any VAT Distributions due in respect of sums received into the PoT Account from PS Gas Suppliers, provided that where a sum is received from a PS Gas Supplier in respect of PS Transmission Payments and such sum is insufficient to meet both the PS Transmission Payments and VAT

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due on such PS Transmission Payments in full the PSA shall calculate the VAT element of the amount so received.

- (d) notification to the Designated Pipe-line Operators of any part or full settlement of PS Non-Payments by PS Gas Suppliers made on or before the Second Due Date in relation to such PS Non-Payments and direct the trustee to distribute such settlements payments as accordingly to 2A 6.
- (e) on the Debt Notice Date each month the calculation of the Net Debt Position and each Designated Pipe-line Operator's Debt Entitlement and, where applicable, any Debt Payment or Debt Repayment to be charged or credited to each PS Gas Supplier and the issue to Designated Pipe-line Operators and the Authority of a notice (a "Debt Notice") in relation to any such Debt Payment and/or Debt Repayment arising which shall contain:
  - (i) details of any PS Notified Debt and interest thereon and any Recovery to which such Debt Payments/Repayments relate;
  - (ii) details of the relevant Designated Pipe-line Operator's Debt Entitlement;
  - (iii) particulars of the Debt Payment or Debt Repayment to be charged or credited to each PS Gas Supplier;
  - (iv) sufficient information concerning the Monthly Postalised Payments in any period relevant to the calculation of Debt Payment or Debt Repayment to permit verification of the calculations of Debt Payment or Debt Repayment in the Debt Notice;
- (g) if the PSA does not receive a joint report containing the information required under Condition 2A.2.3.3(a) from all Designated Pipe-line Operators, the production of a report containing such information and the circulation of it amongst all PS Gas Suppliers on or before the 10<sup>th</sup> Business Day after receiving the relevant information from all Designated Pipe-line Operators;
- (h) the calculation of the Year-End Postalised Charges through application of the Year-End Postalisation Formulae and the calculation of any Capacity Reconciliation Payments and Commodity Reconciliation Payments; applicable to each PS Gas Supplier in accordance with the provisions of Condition 2A.2.6.3; and notification of the results of all such calculations to all Designated Pipe-line Operators and to the Authority no later than the 1<sup>st</sup> Business Day in December after the end of each Gas Year;

- (i) the calculation as soon as reasonably practicable, and within 5 Business Days of receipt of all relevant information in accordance with Condition 2A.6.1.3 of the Year-End Amount, if any, to be paid by or to each of the Designated Pipe-line Operators in respect of the previous Gas Year.
- (j) on or before the 5th Business Day following a Due Date the calculation in respect of each Designated Pipe-line Operator of any applicable Monthly Entitlements and any Monthly Distributions in respect of that month; and the issue of appropriate directions to the Trustee for the purpose of implementing Condition 2A.6 so that any such Monthly Distributions are made to Designated Pipe-line Operators within 7 Business Days of the Due Date each month, or as soon as possible thereafter;
- (k) calculation of any additional sums due by way of Monthly Distribution in respect of any sum received into the PoT Account after the issue of instructions to the Trustee in accordance with (j) above and before the next Debt Notice Date; and
- (l) following each Gas Year, the calculation and recording of the amount of any Commodity Reconciliation Payments which would have been payable by each PS Gas Supplier in respect of each Gas Year but for the 15%  $\Sigma\text{MPCOMP}_{\text{st}}$  cap contained in Condition 2A 2.6.4(b). Such amounts in respect of each Gas Year and each PS Gas Supplier shall be defined as the “Un-recovered Postalisation Payments” (“UNRP<sub>t</sub>”). The PSA shall notify the Authority and Designated Pipe-line Operators of such amounts by the 10<sup>th</sup> Business Day in December of the Gas Year following the Gas Year in respect of which the Un-recovered Postalisation Payments have been calculated.

#### **2A.4.4 PSA Agreement criteria**

2A.4.4.1 The PSA Agreement shall not, by object or effect, impose undue discrimination or confer undue preference on any Designated Pipe-line Operator or PS Gas Supplier and shall:

- (a) require the PSA to fulfil the PSA Functions in a manner which is transparent and which does not unduly discriminate as between Designated Pipe-line Operators or PS Gas Suppliers;

- (b) require the PSA to institute appropriate arrangements and procedures to enable the PSA to fulfil the PSA Functions in an efficient and economic manner;
- (c) make provision for the modification of the PSA Agreement, in the following circumstances only:
  - (i) with the written consent of the Authority (such consent to be deemed as having been given at such time when the Authority has not sent written notice to the parties to the PSA Agreement of its objection to such modification and the grounds for such objection within 4 weeks of its receipt of full written details of the proposed modification, together with any further relevant information requested by the Authority); or
  - (ii) in accordance with a written direction made by the Authority to the extent necessary to ensure consistency with the Licence;
- (d) provide for its termination in the event that any approval granted by the Authority pursuant to Condition 2A.4.2.2 is revoked;
- (e) require the PSA to co-operate with the Authority including without limitation by the sharing of information, both generally and to enable the Authority as far as is reasonably practicable to monitor whether the PSA is continuing to fulfil the PSA Functions in an efficient and economic manner;
- (f) require the PSA to perform its functions promptly and diligently with reasonable skill and care, and in conformity with all applicable laws, rules and regulations;
- (g) require the PSA to perform all calculations in accordance with any financial model provided by the Authority from time to time (following consultation by the Authority with the Designated Pipe-Line Operators);
- (h) require the Licensee to co-operate with the PSA, such co-operation to include but not be limited to providing the PSA and other Designated Pipe-line Operators with such information as is at the Licensee's disposal and which would facilitate the operation of the system of postalised charges in respect of the Postalised System provided that the Licensee shall not be required to provide to another Designated Pipe-line Operator confidential information, the provision of which would, or might, in the opinion of the

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Authority, seriously and prejudicially affect the interests of the Licensee or any PS Gas Supplier or Designated Pipe-line Operator; and

- (i) subject to Condition 2A.4.1.2 provide that, except with the consent of the Authority, the Licensee shall not terminate the PSA Agreement until such time as a new PSA has been appointed under a PSA Agreement conforming with all the requirements under this Condition 2A.4; and

#### **2A.4.5 Licensee's obligations in relation to the PSA**

2A.4.5.1 The Licensee shall:

- (a) promptly after becoming aware thereof, notify the Authority of any material or persistent breach of any obligation by any party under the PSA Agreement;
- (b) take all reasonable steps to enforce the obligations of the parties to the PSA Agreement whenever required, or whenever so directed by the Authority by written notice, and in accordance with the terms of the direction;
- (c) not knowingly waive any right under the PSA Agreement without the prior written consent of the Authority;
- (d) comply with its obligations under the PSA Agreement;
- (e) exercise its rights to terminate the PSA Agreement whenever directed by the Authority by written notice;
- (f) immediately notify the Authority if any party to the PSA Agreement, terminates or gives notice to terminate the PSA Agreement;
- (g) use its reasonable endeavours to procure that the PSA performs its functions promptly and diligently, with reasonable skill and care, and in conformity with all applicable laws, rules and regulations and in accordance with generally accepted best accounting practice; and

provide the PSA promptly with any information it requires to perform the PSA Functions including copies of all PS transmission payment invoices as soon as reasonable, and is at the Licensee's disposal and which would facilitate operation of the system of postalised charges in respect of the Postalised System.

**Condition 2A.5 – The Trustee**

**2A.5.1 The Trustee’s and Account Bank’s primary obligations**

2A.5.1.1 Subject to Condition 2A.5.1.2, unless the Authority otherwise directs or consents, the Licensee shall do all things within its power to:

(a) enter into, before such date as is appointed by the Authority; and

(b) be party at all times thereafter to

arrangements whereby

(i) a person who fulfils the criteria set out in Condition 2A.5.2.1 (referred to as the “Trustee”) carries out the activities specified in Condition 2A.5.3 pursuant to an agreement between the Trustee and the Designated Pipe-line Operators which fulfils the criteria referred to in Condition 2A.5.3 and 2A.5.4 (referred to as the “Trust and Account Bank Agreement”) and which has been and remains approved by the Authority; and

(ii) a person who fulfils the criteria set out in Condition 2A5.2.2. (referred to as the “Account Bank”) provides an account for use as the PoT Account pursuant to the Trust and Account Bank Agreement and which has been and remains approved by the Authority.

2A.5.1.2 The Licensee shall only be entitled to terminate the Trust and Account Bank Agreement without the Authority’s prior written consent if the Trustee and/or the Account Bank is or becomes insolvent; if in the reasonable opinion of the Designated Pipe-Line Operators, the Trustee and/or the Account Bank commits a material breach of the terms or warranties of the Trust and Account Bank Agreement; or if any approval given by the Authority under Condition 2A.5.2.2 expires or is revoked.

2A.5.1.3 Unless the Authority otherwise consents if the Licensee fails to enter into the arrangements referred to in Condition 2A.5.1.1 above by the date required by that

Condition the Licensee shall use its best endeavours to enter into such arrangements as soon as possible thereafter.

## **2A.5.2 Criteria for appointment of the Trustee**

2A.5.2.1 The person fulfilling the functions of Trustee from time to time pursuant to this Condition 2A.5 shall:

- (a) be a competent, fit and proper person to fulfil the Trustee Functions having the systems and controls in place to fulfil those functions; and
- (b) have sufficient suitably qualified and skilled personnel to enable it to perform the Trustee Functions.

2A.5.2.2 The person fulfilling the functions of Account Bank from time to time pursuant to this Condition 2A.5 shall:

- (a) be a competent, fit and proper person to provide and administer the PoT Account having the systems and controls in place to fulfil those functions; and
- (b) have sufficient suitably qualified and skilled personnel to enable it to provide and administer the PoT Account.

2A.5.2.3 The criteria specified in Conditions 2A.5.2.1 and 2A.5.2.2 shall be treated as satisfied in respect of any appointment if the Licensee appoints as the Trustee and/or the Account Bank, as appropriate, a person who at the time of appointment is a person approved by the Authority for the purposes of this Condition and if that approval has not expired or been revoked.

## **2A.5.3 The Trustee's functions**

2A.5.3.1 The Trust and Account Bank Agreement shall, in accordance with Condition 2A.5.1.1, impose on the Trustee the following functions (referred to as the "Trustee Functions"):

- (a) the maintenance of a bank account (the "PoT Account") into which all monies paid by PS Gas Suppliers in respect of PS Transmission Payments shall be received, held on trust for and distributed to the Licensee and the Designated Pipe-line Operators at the intervals and in accordance with the instructions of the PSA;

- (b) the receipt into the PoT Account and holding on trust of all monies paid by PS Gas Suppliers in discharge of PS Transmission Payments;
- (c) the distribution of monies from the PoT Account on the instructions of the PSA; and
- (d) providing the PSA promptly with any details concerning payments into and from the PoT Account as it may require at any time.

#### **2A.5.4 Trust and Account Bank Agreement criteria**

2A.5.4.1 The Trust and Account Bank Agreement shall not, by object or effect, impose undue discrimination or confer undue preference on any Designated Pipe-line Operator and shall:

- (a) require the Trustee to fulfil the Trustee Functions in a manner which is transparent and which does not unduly discriminate as between Designated Pipe-line Operators;
- (b) require the Trustee to institute appropriate arrangements and procedures to enable the Trustee to fulfil the Trustee Functions in an efficient and economic manner;
- (c) make provision for the modification of the Trust and Account Bank Agreement, in the following circumstances only:
  - (i) with the written consent of the Authority (such consent to be deemed as having been given at such time when the Authority has not sent written notice to the parties to the Trust and Account Bank Agreement of its objection to such modification and the grounds for such objection within 4 weeks of its receipt of full written details of the proposed modification); or
  - (ii) in accordance with a written direction made by the Authority in order to ensure consistency with the Licence;
- (d) provide for its termination in the event that any approval granted by the Authority pursuant to Condition 2A.5.2.2 is revoked;
- (e) require the Trustee to co-operate with the Authority including without limitation by the sharing of information, both generally and to enable the Authority as far as is reasonably practicable to monitor whether the Trustee is continuing to fulfil the Trustee Functions;



- (f) require the Trustee to perform its functions promptly and diligently with reasonable skill and care, and in conformity with all applicable laws, rules and regulations;
- (g) require the Licensee to co-operate with the Trustee: such co-operation shall include but not be limited to providing the Trustee and other Designated Pipe-line Operators with such information as is at the Licensee's disposal which would facilitate the operation of the system of postalised charges in respect of the Postalised System provided that the Licensee shall not be required to provide to another Designated Pipe-line Operator confidential information, the provision of which would, or might, in the opinion of the Authority, seriously and prejudicially affect the interests of the Licensee or any PS Gas Supplier or Designated Pipe-line Operator;
- (h) subject to Condition 2A.5.1.2, provide that, except with the consent of the Authority, the Licensee shall not terminate the Trustee Agreement until such time as a new Trustee has been appointed under a Trustee Agreement conforming with all the requirements under this Condition 2A.5; and
- (i) require the parties thereto to ensure at all times that the terms and conditions of the Trust and Account Bank Agreement comply with the terms of the Licence.

## **2A.5.5 Licensee's obligations in relation to the Trustee**

### **2A.5.5.1 The Licensee shall:**

- (a) promptly after becoming aware thereof notify the Authority of any material or persistent breach of any obligation by any party under the Trust and Account Bank Agreement;
- (b) take all reasonable steps to enforce the obligations of the parties to the Trust and Account Bank Agreement whenever required, or whenever so directed by the Authority by written notice, and in accordance with the terms of the direction;
- (c) not knowingly waive any right under the Trust and Account Bank Agreement without the prior written consent of the Authority;
- (d) comply with its obligations under the Trust and Account Bank Agreement;

- (e) exercise its rights to terminate the Trust and Account Bank Agreement whenever directed by the Authority by written notice;
- (f) immediately notify the Authority if any party to the Trust and Account Bank Agreement, terminates or gives notice to terminate the Trust and Account Bank Agreement; and
- (g) use its reasonable endeavours to procure that the Trustee performs its functions promptly and diligently, with reasonable skill and care, and in conformity with all applicable laws, rules and regulations.

**Condition 2A.6 – Distributions from the PoT Account and Designated Pipe-line Operators Agreement**

**2A.6.1 PoT Account Calculations – Entitlements, Distributions and Payments**

The following shall be calculated in accordance with the provisions of this Condition 2A.6.1:

- (a) Monthly entitlement of the Licensee to sums from the PoT Account calculated on the basis of amounts receivable in respect of Monthly Postalised Payments and Debt Payments;
- (b) The Year-End Amounts if any due to or from the Licensee; and
- (c) The amount to be distributed to the Licensee from the PoT Account on a monthly basis in respect of (a) and (b).

**2A.6.1.2 Monthly Entitlements**

**(a) Monthly Postalised Entitlement**

The Monthly Postalised Entitlement (“MPE<sub>Lm</sub>”) of Licensee “L” in respect of a month (“m”) in Gas Year (“t”) shall be the lower of:

$$(i) \quad \frac{MPP_m \times FRR_{Lt}}{PSFRR_t}$$

and

$$(ii) \quad FRR_L + DPI - AMP_L$$

Where:

MPP<sub>m</sub> = the aggregate of all Monthly Postalised Payments payable into the PoT Account in month “m” plus any Supplemental Payments so payable, excluding any VAT on such amounts;

FRR<sub>Lt</sub> = the Licensee’s Forecast Required Revenue in respect of Gas Year (“t”);

PSFRR = PS Forecast Required Revenue in respect of Gas Year (“t”); and

AMP<sub>Lt</sub> = the aggregate Monthly Postalised Entitlements of the Licensee in respect of prior months in Gas Year (“t”).

DPI = Any interest paid on late payments received after the Due Date and before or on the Second due date

(b) **Debt Entitlement**

The Debt Entitlement (“DE<sub>L</sub>”) of Licensee “L” calculated on a rolling monthly basis shall be its proportionate entitlement to Debt Payments, calculated as:

- (i) its entitlement to outstanding Monthly Postalised Payments and Debt Payments arising during any Gas Year calculated by reference to the Licensee’s Forecast Required Revenue as a proportion of PS Forecast Required Revenue; plus
- (ii) its entitlement to debt incurred in respect of Year-End Amounts calculated by reference to the Licensee’s Year-End Amounts due to it as a proportion of the sum of all PS Year-End Amounts that are positive.

2A.6.1.3 **Year-End Amounts – Calculation of Entitlement/Obligation**

- (a) If a Net Reconciliation Payment is payable by PS Gas Suppliers in respect of Gas Year (“t”) then a year-end amount (“Year-End Amount” or “YEA<sub>Lt</sub>”) in respect of that Gas Year shall be calculated in accordance with the following formula, in relation to which if YEA<sub>Lt</sub> is a negative figure, the Licensee shall be obliged to make payment into the PoT Account of the amount of such figure, and if YEA<sub>Lt</sub> is a positive figure, the Licensee shall be entitled to receive the amount of the Year-End Amount from the PoT Account:

$$YEA_{Lt} = \frac{(ARR_{Lt} \times (PSAMP + RP_{Total})) - AMP_{Lt}}{PSARR_t}$$

Where:

YEA<sub>Lt</sub> = Year-End Amount in respect of Gas Year (“t”) and Licensee “L”;

ARR<sub>Lt</sub> = the Licensee’s Actual Required Revenue in respect of Gas Year (“t”);

PSARR<sub>t</sub> = the PS Actual Required Revenue in respect of Gas Year (“t”);

$PSAMP_t =$  the aggregate of Monthly Postalised Payments payable by PS Gas Suppliers in respect of Gas Year (“t”), including any Supplemental Payments receivable from any PS Gas Suppliers in respect of such Gas Year;

$RP_{Total} =$  the aggregate of all Capacity Reconciliation Payments and Commodity Reconciliation Payments, each in respect of Gas Year (“t”) and receivable from PS Gas Suppliers; and

$AMP_{Lt} =$  the aggregate of Monthly Postalised Entitlements of the Licensee in respect of Gas Year (“t”).

- (b) If a Net Reconciliation Payment is payable to PS Gas Suppliers in respect of Gas Year (“t”) and the Year-End Amount in respect of the Licensee as calculated below is a negative value the Licensee shall pay such amount into the PoT Account:

$$YEA_{LT} = ARR_{Lt} - AMP_{Lt}$$

#### 2A.6.1.4 **Monthly Distributions**

The amount of the distribution to be made to the Licensee from the PoT Account in any month (the “Monthly Distribution”) shall be calculated by the PSA on the basis of the balance of monies in the PoT Account, net of any amounts in the PoT account as a result of the requirement to maintain a minimum account balance and any interest earned on the PoT account balance, on the date of calculation of the Monthly Distribution in the relevant month (month “m”) (such balance of monies on the PoT Account at that date being referred to below as ‘W’). The Licensee shall be entitled to receive by way of Monthly Distribution an amount equal to the sum of each of  $DA1_L$ ,  $DA2_L$ ,  $DA3_L$ ,  $DA4_L$  and  $DA5_L$  calculated as follows:

- (i) **VAT Distributions**

$$DA1_L = VAT_L$$

Where:

$VAT_L =$  the aggregate amount of VAT Distributions as calculated by the PSA required to be made from the PoT Account in order to permit the Licensee to discharge its liability in respect of

(ii) **Distribution to enable Licensee to fulfil obligation to reimburse Gas Suppliers**

Where the Licensee is obliged to reimburse any sum to one or more of its Gas Suppliers in accordance with this Part 2A of the Licence and the Network Code then  $DA2_L$  shall be a sum equal to GSR provided that if no such payment is payable by the Licensee to any of its Gas Suppliers in the relevant month  $DA2_L$  shall be zero.

Where:

GSR = the aggregate amounts that the Licensee is required to reimburse to its Gas Suppliers in accordance with this Part 2A of the Licence and the Network Code;

(iii) **Year-End Amount Distributions**

In the month following a month in which Reconciliation Payments have been invoiced to one or more PS Gas Suppliers a distribution in respect of Year-End Entitlement  $DA4_L$  shall be calculated as follows:

(a) If  $W - PSDA1 - PSDA2 \geq PSYEA$

then  $DA3_L$  shall be a sum equal to  $YEA_{Lt}$ ; or

(b) If  $W - PSDA1 - PSDA2 < PSYEA$

then  $DA3_L$  shall be calculated as follows:

$$DA3_L = (W - PSDA1 - PSDA2) \times \frac{YEA_{Lt}}{PSYEA}$$

Provided that if  $YEA_L$  is a negative figure then  $DA3_L$  shall be zero.

Where:

W = the balance of monies in the PoT Account, net of any amounts in the PoT account as a result of the requirement to maintain a minimum account balance and any interest earned on the PoT account balance

PSDA1 = the aggregate of all DA1<sub>L</sub> figures for all Designated Pipe-line Operators under their Respective Licence for month “m”;

PSDA2 = the aggregate of all DA2<sub>L</sub> figures for all Designated Pipe-line Operators under their Respective Licence for month “m”;

YEA<sub>Lt</sub> = the Year-End Amount calculated in accordance with Condition 2A.6.1.3;

PSYEA = the aggregate of all positive Year-End Amounts for all Designated Pipe-line Operators under their Respective Licence;

(iv) **Monthly Postalisation Distributions**

(a) If  $W - PSDA1 - PSDA2 - PSDA3 \geq PSMPE$

then DA4<sub>L</sub> shall be an amount equal to MPE<sub>L</sub>; or

(b) If  $W - PSDA1 - PSDA2 - PSDA3 < PSMPE$

then DA4<sub>L</sub> shall be calculated as follows:

$$DA4_L = (X - PSDA1 - PSDA2 - PSDA3) \times \frac{MPE_{Lm}}{PSMPE}$$

Where:

PSDA1 = the aggregate of all DA1<sub>L</sub> figures for all Designated Pipe-line Operators under their Respective Licence for month “m”;

PSDA2 = the aggregate of all DA2<sub>L</sub> figures for all Designated Pipe-line Operators under their Respective Licence for month “m”;

PSDA3 = the aggregate of all DA3<sub>L</sub> figures for all Designated Pipe-line Operators under their Respective Licence for month “m”;

MPE<sub>Lm</sub> = the Monthly Postalised Entitlement of the Licensee calculated in accordance with Condition 2A.6.1.2(a) above;

PSMPE = the aggregate of all Monthly Postalised Entitlement figures for all Designated Pipe-line Operators under their Respective Licence for month “m”;

(v) **Monthly Debt Payment Distributions**

(a) If  $W - PSDA1 - PSDA2 - PSDA3 - PSDA4 \geq$

PSDE

Then  $DA5_L$  shall be a sum equal to  $DE_L$ ; or

(b) If  $W - PSDA1 - PSDA2 - PSDA3 - PSDA4 <$  PSDE

Then  $DA5_L$  shall be calculated as follows:

$$DA5_L = (W - PSDA1 - PSDA2 - PSDA3 - PSDA4) \times \frac{DE_{Lm}}{PSDE}$$

Where:

PSDA1 = the aggregate of all  $DA1_L$  figures for all Designated Pipe-line Operators under their Respective Licence for month “m”;

PSDA2 = the aggregate of all  $DA2_L$  figures for all Designated Pipe-line Operators under their Respective Licence for month “m”;

PSDA3 = the aggregate of all  $DA3_L$  figures for all Designated Pipe-line Operators under their Respective Licence for month “m”;

PSDA4 = the aggregate of all  $DA4_L$  figures for all Designated Pipe-line Operators under their Respective Licence for month “m”;

$DE_{Lm}$  = the Debt Entitlement of the Licensee (“L”) for month (“m”) calculated in accordance with Condition 2A.6.1.2(b) above;

PSDE = the aggregate of all Debt Entitlement figures for all Designated Pipe-line Operators under their Respective Licence for month “m”;

## 2A.6.2 Inter-TO Provisions

### 2A.6.2.1 Designated Pipe-line Operators Agreement

Unless the Authority otherwise consents, the Licensee shall: on or before a date appointed by the Authority enter into; and be a party at all times thereafter to a binding agreement with the other Designated Pipe-line Operators which complies with the criteria specified in Condition 2A.6.2.2 and which is in a form approved in advance by the Authority pursuant to which it will:

(a) act together with the other Designated Pipe-line Operators to appoint and re-appoint the PSA from time to time;



- (b) establish the PoT Account and appoint and re-appoint the Trustee and/or the Account Bank from time to time;
- (c) in conjunction with other Designated Pipe-line Operators, enforce the PSA Agreement and the Trust and Account Bank Agreement; and
- (d) undertake to the other Designated Pipe-line Operators (in consideration of equivalent undertakings) to issue invoices promptly and accurately, and to give effect to common payment terms and credit arrangements.

and which will contain such other provisions for the efficient operation of a system of PS Transmission Payments as the Designated Pipe-line Operators may agree and the Authority may approve (the “Designated Pipe-line Operators Agreement”).

#### 2A.6.2.2 **Designated Pipe-line Operators Agreement Criteria**

- (a) The Designated Pipe-line Operators Agreement shall not, by object or effect, impose undue discrimination or confer undue preference on any Designated Pipe-line Operator or PS Gas Supplier and shall:
  - (i) ensure the PSA, the Trustee and the Account Bank institute appropriate arrangements and procedures to enable the PSA to fulfil the PSA Functions and the Trustee to fulfil the Trustee Functions in an efficient and economic manner;
  - (ii) make provision for the modification of the Designated Pipe-line Operators Agreement in the following circumstances only:
    - (aa) with the written consent of the Authority (such consent to be deemed as having been given at such time when the Authority has not sent written notice to the parties to the Designated Pipe-line Operators Agreement of its objection to such modification and the grounds for such objection within 8 weeks of its receipt of full written details of the proposed modification); and
    - (bb) in accordance with a written direction made by the Authority in order to ensure consistency with the Licence.
- (b) The Designated Pipe-line Operators Agreement shall include an obligation on the Licensee to co-operate with the other Designated Pipe-line Operators. Such co-operation shall include but not be limited to providing

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the PSA and other Designated Pipe-line Operators with such information as  
is at the Licensee's disposal (other than confidential information the  
provision of which would or might, in the opinion of the Authority, seriously  
and prejudicially affect the interests of the Licensee or any PS Gas Supplier  
or Designated Pipe-line Operator) and which would facilitate the operation  
of a system of PS Transmission Payments in respect of the Postalised  
System.

**Condition 2A.7 – New Licence Requirements relating to the Network Code**

- 2A.7.1** At any time when, and to the extent that, a Designation Order is and remains in force in respect of all or part of the Network the following provisions shall apply in relation to the Licensee's obligation to establish and implement procedures for the modification of its Network Code.
- 2A.7.2** The relevant objective, the achievement of which is to be facilitated by the Licensee's Network Code, shall include the operation of efficient and economic arrangements for a system of common tariffs in respect of the Licensee's Designated Network and the Designated Network (as such term is defined in the licence of each other Designated Pipe-line Operator) of all other Designated Pipe-line Operators.
- 2A.7.3** The procedures which the Licensee is required to establish and implement for the modification of the Network Code shall provide:-
- (a) for all other Designated Pipe-line Operators and PS Gas Suppliers to be consulted by the Licensee in relation to any modification of the Network Code proposed by the Licensee or any other party entitled to raise such proposals;
  - (b) for all other Designated Pipe-line Operators and PS Gas Suppliers to be notified as soon as possible of any proposed modification put forward by the Authority or by any PS Gas Supplier;
  - (c) that in proposing or reporting on any modification, the Licensee shall have regard to the impact that such modification might have on the operation of any other Designated Pipe-line Operator's network code; and
  - (d) where appropriate, for joint reports to be prepared.
- 2A.7.4** The Licensee shall consult all other Designated Pipe-line Operators and the PS Gas Suppliers before proposing any modification to the modification rules.